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| Management of Marketing |
| Business Management |
| Higher |

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**MARKETING INTRODUCTION**

Marketing has a number of purposes mainly to raise awareness of the product/ service on offer and raise the profile of the organisation. As well as attract new customer and monitoring customers tastes and trends.

**What is a market?**

**A MARKET**

A market is any place where buyers and sellers meet to exchange goods and services for money eg Saturday market, shop, internet shopping, supermarket, hairdressers, job centre, charity appeals etc.

**THE MARKET**

These are all the potential customers for a good/service eg the crisp market, the car market etc. There are 2 types of market

|  |  |
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| **Consumer Market** ”Joe Public” | **Industrial Market**  “Businesses” |
| Spend their disposable income on consumables (food etc) and durables (tv, furniture etc) | Buy goods to produce goods/services  Consumables (raw materials) and durables (machinery, equipment) |

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| Market Place | Sellers, buyers, bargaining etc. Met face to face, talked about products – likes/dislikes |
| Late 19th C | Industrial revolution – technology advances, increased supply of good lead to  Manufacturer  Goods marketing info  Retailer  Goods  Consumer  More difficult to talk directly to customers |
| 1950s | Automation, mass production, supply increases, money increases, standard of living increases, desire for more consumer goods |
| 1960s | Progression of above, higher disposable income, demand for service sector goods/services  More demand, more producers, more sellers, more choice – must find out what customers want |
| 1970s to now | Firms very market orientated must find out what customers want now and in future, satisfy this and make a profit |

**MARKETING**

*Marketing is the anticipation, identification and satisfying of a consumer need.*

**ANTICIPATION**

Some products take years to develop, therefore businesses must anticipate what consumers will need in 1, 2, 5 years’ time. Some goods, eg new car models take years and billions of pounds to develop – must communicate with customers to find out their needs. Some consumers have no idea what they will buy in future eg ipods, mobile phones etc but the marketing departments of these businesses did!

**IDENTIFICATION**

What do consumers want – price, features, quality, colours, delivery, packaging, image, after-sales service, etc? When companies get it right = sales, get it wrong = no sale.

**SATISFYING**

Getting the right product, at the right price, at the right time to the right customers – otherwise consumers will buy from a competitor.

**MARKETING ROLE**

Helps the organisation achieve its strategic objectives eg

* Increase or maximise profits
* Increase market share
* Extend the life of a current brand
* Become the market leader
* Target new market or market segment
* Increase product portfolio

**PRODUCT ORIENTATION (PRODUCT LED)**

A business which is product orientated will:

* Concentrate on the production process and the product itself
* Will not establish from the outset what customers want – the basic idea or novelty value of the product will sell it eg Tunnock’s teacakes, Polos – contact with customer is late
* Will have superior production processes

**MARKET ORIENTATION (MARKET LED)**

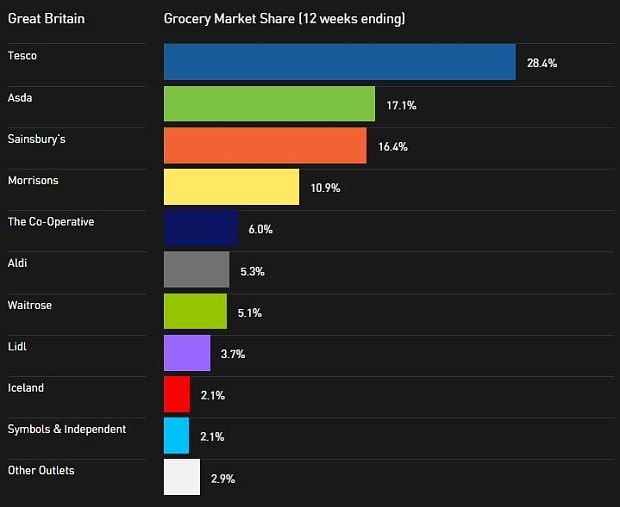
A business which is market led will:

* Produce products based on what customers want – continually identifying, reviewing and analysing their needs
* Respond quickly to changes – developing products accordingly
* Be in a strong position to cope with new competition
* Be able to anticipate and meet changes in consumer demand
* Be able to make changes to its products or develop new products easily as it listens to consumers

**MARKET SHARE**

Is the proportion of the market a business has. The business with the largest share is the **market leader**.

Below you can see the market shares of the UK Grocery Market. This compares the market shares of supermarkets and other grocery retailers. As you can see, there is a large change in the space of just 10 years mainly due to the massive expansion of the major supermarket chains.



Market Growth

When the amount of sales and customers within a market increases.

# The Consumer

Why do consumers purchase one product over another similar product? For example, what makes people purchase iPhones, Samsung or Blackberry. Organisations target different products to different consumers, which can be referred to as **market segments.**

Some of these segments include:

* age
* gender
* disposable income – how much the consumer has available to spend
* marital status
* taste/fashion
* social class (see table below) – particular jobs tend to have certain life-styles attached. By dividing the market by job classification, appropriate products and services can be targeted towards particular groups.

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| **Socio-economic group** | **Social ‘class’** | **Most likely types of occupation** | **Examples** |
| A | upper or upper middle | managerial/professional | surgeon/director/lawyers |
| B | middle | intermediate managerial/ professional | bank manager/ teachers/nurses |
| C1 | lower middle | supervisory/clerical | bank clerk/shop assistants |
| C2 | skilled working | skilled manual | joiner/cooks |
| D | working | semi-skilled | driver/fitters |
| E | poorest in society | low paid | casual worker/state pensioner/long-term unemployed |

This classification was updated in 1998 to reflect more accurately the employment conditions such as job security and career prospects. The government table below differs from the ABC classification used by market researchers, which concentrates on income differentials.

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| **Socio-economic group** | **Description** | **Examples** |
| 1 | Higher managerial and professional occupations  1.1 employers and managers in large organisations  1.2 higher professionals | 1.1 Company director; corporate manager  1.2 Doctor, lawyer |
| 2 | Lower managerial and professional occupations | Nurse, journalist, police |
| 3 | Intermediate occupations | Clerk, secretary, computer operator |
| 4 | Small employers and own account workers | Farmer, taxi driver, window cleaner |
| 5 | Lower supervisory, craft and related occupations | Plumber, TV engineer, train driver |
| 6 | Semi routine occupations | Shop assistant, traffic warden, bus driver |
| 7 | Routine occupations | Waiter, road sweeper, cleaner |
| 8 | Never worked/long term unemployed |  |

## Why is market segmentation important?

* Organisations can better meet the needs of the customers in a specific segment.
* Better opportunities for growth – Customers may be encouraged to “trade up” after being introduced to a product at a lower price.
* Profits can be increased – By segmenting the market, organisations can sell certain products for higher prices which will increase profits.
* Customers can be retained – By marketing products to customers at different ages, organisations may be able to retain customers who may have otherwise moved to competitors.
* Marketing activity can be specific to the market segment

## What is target marketing?

This is when the market is broken down into submarkets. For example, magazine publishers such as Conde Nast target specific magazines at different groups of customers – segments.

What segments do you think the above magazines would be marketed to?

## Why is target marketing important to a business?

A business can ensure that it:

* Provides a product that meets the needs/wants of the consumers
* Sells its product in the right place
* Sells its product at the right price for the consumers in that segment
* Provides appropriate promotions to the group of consumers

**Differentiated** marketing involves providing different products and services for particular market segments,

**Undifferentiated** marketing involves aiming products and services at the population as a whole without producing different products for different market segments.

# Market Research

Market research provides organisations with information about what consumers want and need and reasons why they make purchases.

Market research helps to identify:

* How consumers feel about products currently on the market
* Why consumers purchase certain products
* How consumers feel about new products
* What consumers want – this will help in the development of new products
* Information about the organisations competitors

**Why is market research so important?**

* Indicates the size of the market and potential growth of the market
* Provides information about where the best place would be for selling the product
* Helps organisations find out why some products are more successful than others, and how to make their product more successful
* Help organizations avoid costly mistakes – for example, making products that people don’t wish to buy
* Gives organizations ideas about how to promote or advertise their products
* Takes some of the risk out of launching new products or redesigning products as organizations are making decisions based on information that they collect and can rely on
* Allows organizations to decide on the target market – i.e. the particular segment of consumers a firm wishes to sell to.

**Methods of market research**

There are two basic types of market research:

* desk research
* field research.

Each type of market research has its own methods. When deciding on the most suitable method of research the following must be considered:

* cost
* time available
* alternatives

***Desk research***

Secondary data (information from a published source) is used in this type of market research. This type of data is available internally and externally to the organisation:

|  |  |  |  |
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|  | **Examples** | **Advantages/Benefits** | **Disadvantages/Costs** |
| **Internal Information** | Sales Records  Financial Information | If accurate records have been kept for several years, the amount of information is plentiful.  By looking at past performance, targets can be set.  Easy to access. | There may be significant costs involved in setting up such records, in terms of the cost of software and training staff in using it.  New organisations may not have access to a lot of internal information.  Records are required to be updated regularly. |
| **External Information** | Newspapers e.g. The Financial Times  Government Statistics  Trade Magazines e.g. Drapers  Journals  Online Databases  Market Research Reports e.g. Mintel | Can provide very useful information on PESTEC factors.  Easy to access.  Cheap to obtain. | Time consuming to gather.  May be out of date.  Information could potentially be biased or unreliable.  Competitors also have access to this information. |

***Field research***

Carried out “in the field” i.e. the researcher goes out and actively obtains the information.

Types of field research include:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Description** | **Advantages/Benefits** | **Disadvantages/Costs** |
| **Surveys/Questionnaires (including telephone and postal surveys)** | Involves specific questions being asked to respondents. | Can be inexpensive - doesn’t require a trained interviewer for phone surveys.  Response for telephone survey is immediate.  A large number of people can be surveyed. | Many people do not like telephone surveys – respondents can be quite hostile.  Questions must be simple and easy to answer.  Response rate of postal surveys may be low therefore respondents may require an incentive i.e. entry into a prize draw for their participation. |
| **Test Marketing** | Launching a product in one region. The product will be launched to the whole country if the result of the test market is positive. | Customers can indicate areas about the product that they dislike.  If the product fails in the test area, the expense of a national launch is saved. | Customers in the test area may have tastes that are only specific to that area and are not a representation of the whole country. |
| **Personal Interviews** | Face-to-face interviews which can be held in the street or at the respondent’s home. | Allows for 2-way communication.  The researcher can prompt the respondent to answer.  Misunderstandings can be quickly cleared up. | Researchers have to be selected and trained which can be costly.  Home interviews can be unpopular with respondents. |
| **Focus Groups** | Customers are specially selected to take part in discussions on products. Focus groups are often led by a chairperson who will put forward points for discussion. | Qualitative information can be gained. | Qualitative information can be difficult to analyse. |
| **Hall Test** | Customers are invited to test / look at products and give their opinions. | Qualitative information can be gained. | Qualitative information can be difficult to analyse.  Results may be inaccurate as respondents feel obliged to be positive about the product. |
| **EPOS (Electornic point of sale)** | Used by retailers when bank cards are used for payment.  Information about the buying habits of the customer can be recorded. | Can give an accurate customer profile.  Retailers can offer promotions that meet the customer’s needs.  Quantitative information gathered and easier to analysis  Large quantities of information can be gathered  Factual information is gathered | Can be expensive to set up this system.  No opportunity to gain customer opinion |
| **Consumer Audit** | Used by large organisations to carry out continuous research to monitor for example the buying habits of customers, influence of advertising | Accurate information can be gained if diaries kept properly.  Information can indicate customer trends as they are completed over a period of time. | Expensive methods to use as participants receive payment.  High turnover of respondents as completing diaries can be seen as a nuisance.  Diaries may be inaccurate or incomplete. |
| **Observations** | The collection of data through non-verbal means which can stand alone as research on its own or compliment other relevant research. It is the process of recognizing and recording relevant objects and happenings. | Provides accurate quantitative information. | Cannot ask questions that explain customers actions as there is no direct contact. |
| ***Social networking*** | Companies can conduct research via social networking pages | Two way interaction can occur  Large audience can be reached  Questions can be posed quickly | Not all customers may want to join the social networking site  Information not usually private and can be viewed by anyone. |

# Sampling

When conducting research it is often not possible to question every potential respondent. A sample of respondents has to be selected. They can be selected by a various of means:

***Random sampling***

Random sampling involves producing a random list of individuals to survey. Those picked for inclusion in the sample could be generated randomly, using a computer and the telephone directory or the electoral register. A large sample is required if the sample is to be representative of the whole population.

**Advantages**

* No chance of bias being introduced when selecting individuals for the sample and it is simple to do.

**Disadvantages**

* It may not be focused on any particular market segment.
* It assumes that all members of the group are the same, which is not always the case.
* The random sample must be maintained – if someone is chosen for the sample then they must be interviewed this can be expensive.

***Stratified random sampling***

This makes a random group more representative of the population as a whole. The sample is divided up into segments based on how the population is divided up. For example, if the researcher knows that 10% of the population are on socio-economic group AB, 50% in C and 40% in DE, he/she will ensure that 10% of the sample are selected for the AB group, 50% from the C group and 40% of respondents form the DE group.

***Quota sampling***

The researcher is given instructions as to the number of people to interview and their characteristics (e.g. age, gender, material status and income groups.)

**Advantages**

* It is cheaper to operate than random sampling.
* Statistics showing the proportions of different groups within the population are readily available.
* Interviewers can substitute someone else in the interviewee is not at home at the time of the visit or phone call.

**Disadvantages**

* Results from quota sampling can be less representative than using the random sampling method.

# The Marketing Mix

**Product** – the goods/service the customer is purchasing

**Price** – the amount paid by the customer for the good/ service

**Place** – Where the customer purchases the product

**Promotion** – the way in which a customer is made aware of a product/service and is encourage to buy it

# Product

The product must meet the needs of the customer and benefit the customer. The product may be a good or a service and ‘product’ includes the packaging, image, guarantee and after sales service. Several competing organisations may sell versions of the same product; however these can vary greatly in terms of quality, style, packaging and price.

## Product Research & Development (R&D)

This is the technical research that is carried out with a view to provide a new product or improve a current product. It is not only technological organisations that put their ideas through research and development, but also organisations providing everyday consumer goods such as Gillete who spend a significant sum of money on a yearly basis to develop a more effective shaver. For most organisations, around 5% of their revenue will be spent on research and development.

Product research and development and market research are closely linked as product researchers use the information gained from market research to help them to develop and design products/services. In the latter stages of research and development, prototypes may be produced which can be tested and may be launched in a small geographical area prior to being launched nationwide.

## Branding

"A method of attaching a 'persona' to a product based on an established make."

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| **Advantages of Branding** | **Disadvantages of Branding** |
| Money can be saved on marketing as the customer is already aware of the brand. | Brands (in particular clothing and accessories) can be copied or faked, which can be difficult for the organisation to fight. |
| Higher prices can be charged for brands. | In order to remain in the mind’s eye of the customer, brands can require high levels of research and development and advertising. |
| Customers can become loyal to the brand. | Poor brands can affect the whole range that is produced by the manufacturer. |

Brands are products or ranges of products which have a unique and easily recognisable character. It may be a word or symbol that is registered, so can only be used on products produced by the organization. The brand can relate to the company as a whole, or individual products. Such products are marketed so that they are instantly recognisable to the consumer, and are made out to be of better quality than other similar products. Customers will generally have to pay more for a branded item, which can be partly due to the high packaging and advertising costs.





**Own brand**

We see and interact with own brands in everyday life. These are goods/services that are branded under the name of the retailer. For example, Tesco Finest, Tesco Value, George at ASDA.

[](http://www.google.co.uk/url?sa=i&source=images&cd=&cad=rja&docid=HPgUUfbOLh7ReM&tbnid=eeEnZPuQzh5qCM:&ved=0CAgQjRwwAA&url=http://www.j-sainsbury.co.uk/media/latest-stories/2011/20110713-sainsburys-unveils-gok-wans-first-womenswear-collection-gok-for-tu/&ei=dtUGUYaeF_Cq0AWEqYGICw&psig=AFQjCNGNsRg-Xdd1ygeipvX0lIJhXyuGCA&us)

Retailers do not normally manufacturer their own brands.

For example, McVities manufacture biscuits for Marks & Spencer, who specify that their biscuits be cut from the middle of the batch to ensure they are fresher. Marks & Spencer also manufacture Sainsbury’s own brand pizza.

Own brand products are generally of a similar quality to well known brands, with similar packaging however can be much cheaper than branded goods.

Log on to the Tesco Direct website and compare the price of own brand goods to well-known branded goods.

Compare the following products:

*Coca Cola Baked Beans Shampoo A4 Notebook*

**Generic goods**

For example, light bulbs and matches. Very little marketing is carried out by companies who sell generic goods as they are seen by consumers to have no differences between them.

## Packaging

Packaging provides:

* Protection during transport
* Customer appeal
* Easy access to the product.

In addition, packaging will also have legally required information printed on it such as ingredients and weight. This is a requirement under laws such as the Trade Descriptions Act and the European Union rules on food additives.

**Brand Loyalty**

Customers can become loyal to certain products or brands which results in them repeatedly purchasing THESE products from the company. In turn, the organisation tailors its marketing strategy to ensure that the customer believes the product to be better than that of competitors.

## The product life-cycle

The product life-cycle shows the different stages a product will pass through in its lifetime and the level of sales that can be expected at each stage.

|  |  |
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| **Stage** | **Description** |
| ***Development*** | Costs in developing the product may be very high.  There are no sales and therefore no profit. |
| ***Introduction*** | The product is launched onto the market.  Customers become aware of the product.  Stockholding costs, advertising and promotion costs may be significant.  Innovative products will have little competition and can therefore charge a high price.  Sales are low and profit is also low. |
| ***Growth*** | Sales rise quickly and at this stage the product begins to become profitable.  More customers are aware of the product.  Competitors may launch their own versions of the product. For example, Apple launched the iPad and Samsung and Blackberry followed soon after with their own versions. |
| ***Maturity*** | Product is fully established. It is the highest level of sales that the product will achieve without the business taking action. Sales reach their peak and may fall as competitors enter the market. Spending on advertising is much less as the product is established in the market. At this stage development costs have been repaid and the product will be at its most profitable. These profits can then be used in part to fund development of new products. The business will work to keep the product at this stage for as long as possible. |
| ***Saturation*** | Competition becomes fierce and price tumbles.  Consumers are interested in other products – tastes, fashions and technologies have changed.  Sales and profit start to fall. |
| ***Decline*** | At this point the product may be withdrawn from the market.  Sales and profit continue to fall, and the businesses new replacement products should be in the growth stage. |

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**SATURATION**

Some products do not reach the decline stage, for example IrnBru and Mars Bars. This is due to the organisation using Extension Strategies in order to keep consumers interested in the product.

# Extension Strategies

These are the methods employed by businesses to prolong the life of their products and stop them going into the decline stage. The most successful extension strategies will actually lead to periods of sales growth.

Extension strategies may include the following:

* Improving the product – new improved versions
* Find new uses for the product – for example firelighters now used for barbecues rather than lighting gas heating.
* Altering the packaging – to appeal to new consumers, Developing styling changes – slightly different produce eg colour, size
* Changing the channel of distribution – for example introducing selling on the internet
* Altering the price of the product
* Using different promotional activities
* Altering the use that customers will have for the product -
* Rebranding the product – for example a name change Opal fruits to Starburts
* Producing line extensions – for example Coca cola produce Diet Coke, Cherry Coke, Coca Cola Vitamin C.

# Product Line/ Diversified Product Portfolio

It does not make sense for a business to wait until a product reaches the decline stage before launching a replacement product. If they did sales and profit would be lost so businesses plan the introduction of new products to replace existing ones before they become unprofitable. The range of products a business produces is known as its product portfolio.

Each product in the portfolio will be at different stages in the product life cycle. This allows the business to reduce risk and spread it’s over products because if they have only one product and that fails the business will fail.

Product line portfolio is creating a range of products based on the existing product e.g. flavours and size. Product diversification is creating different products to add to you’re your existing product e.g. Baxters Food Group have a portfolio which includes jams, sauces, pickles and soups.

*Product portfolio diagram source Higher and Intermediate 2 Business Management second Edition Peter Hagan and Alistair B. Wylie (2006)*

At Point A:

Product 1 – decline Phase

Product 2 – Maturity Phase

Product 3 – growth Phase

Product 4 – Introduction Phase

Sales

Time

**PRODUCT 1**

**PRODUCT 2**

**PRODUCT 3**

**PRODUCT 4**

**A**

Advantages

* A wide range of products can allow the business to meet the needs of a variety of customers
* Increase profits and profit levels remain steady
* Makes business easier to manage
* Profitable products can support the development of launch and new products
* Raise profile of the business
* Can lead to the company becoming market leaders
* Risk spread amongst products

Disadvantages

* Products can be spread to wide
* Business can lose focus on its key objectives

# Price

The Price is what the customer will pay the 0rganisation in order to purchase the product/service.

## Why is price important?

The organisation must ensure that it covers its costs (for example production, advertising) which will allow them to make a profit.

The customer will not purchase the product if they think the price is too high – particularly if a competitor stocks a similar product at a lower price.

## Pricing Strategies

The price set will depend on several factors, which may include:

* Competitors’ prices
* The position of the product in the product life cycle
* The cost of manufacture
* The time of year
* The target market for the product
* Government pressure

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| **Pricing Strategy** | **Description** | **Examples** |
| ***Penetration Pricing*** | A price lower than that of competitors is set to tempt customers away from competitors.  Once the product becomes popular the price will be raised in line with competitors. | Chocolate bars, new brands of coffee/tea. |
| ***Destroyer Pricing*** | Prices are lowered in order to force competitors to lower their prices.  Weak competition will not be able to survive for a prolonged period of time and may be forced to leave the market.  Prices will then return to the normal level or even increase to a higher level. | Poundland |

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| **Pricing Strategy** | **Description** | **Examples** |
| ***Promotional Pricing*** | Prices are reduced for a short period of time.  Consumer interest may increase during this period and stock levels may reduce quickly. | River Island Boxing day sale. |
| ***Premium Pricing*** | High prices are charged and maintained for a certain product/service. | Louis Vuitton, Apple, Ferrari |
| ***Loss Leaders*** | A range of products are advertised at a low, unprofitable price which will encourage customers to enter the store over competitors’ stores.  Customers will often purchase other full priced products whilst in the store, so a profit will be made on the total purchases made. | Scotmid |
| ***Competitive Pricing*** | Organisations set similar prices for similar products.  This can help prevent a price war.  Organisations will compete on non-pricing factors such as promotions (Nectar Card), packaging and advertising instead. | Petrol, CDs, DVDs |
| ***Price Discrimination*** | Different prices are charged for the same product/service at different times of the day, month, or year. | BT home phone tariffs |
| ***Market Skimming*** | An initial high price is charged for the product.  As competition in the market increases, the price will fall to be in line with competitors.  Note: think about skimming a stone…it will not stay on the surface (top of the water/high price) for a long time. | Video games, home entertainment electrical products i.e. Touch Screen TV’s. |
| ***Low price*** | A business may charge a lower price than competitors. Lower prices result in higher sales as consumers respond to low prices. | DVD’s, CD’s, Computer games charge low prices in different supermarkets |
| ***High Price*** | Used by businesses offering high-quality premium products. Can charge higher prices for well-known brands. If there is a lack of competition businesses can charge higher prices. | I-phone |
| ***Penetration Pricing*** | Used to introduce a product to the market. It involves setting a low price sometimes at a loss to attract customers and gain sales and market share. As products become established the product price can be increased. | All products |
| ***Demand- orientated pricing*** | Price of the product varies with the demand of the product. | Telephone, Gas and Electricity |

# Place

Where the product is sold and how it gets there. Why is this factor important?

The customer needs to be able to access the product/service in order to make a purchase.

The product may be sold through:

Retailersfor example,independent stores, supermarket, chain store, department store, discount store

Advantages

* Provide a source of market research
* Often located close to customer
* Provide an after sales service
* Retailer may offer credit facilities
* Retailer may already have an established customer base
* Retailer incurs cost of store, sales staff and retail premises
* Selling to a retail is more direct than through a wholesaler
* Higher percentage profit for the manufacturer
* Bulk buying discount

Disadvantages

* May not have specialist product knowledge
* Product is more expensive to buy

Most large towns now have retail parks and consumers are choosing out of town shopping centres. This is due to convenience of all shops being under one roof and easy access to free parking facilities, food outlets and facilities for children.

Wholesalers who buy in bulk from the manufacturer and sell to retailers. For example, Makro, Booker, Costco

Advantages

* Provide a source of market research
* Saves the manufacturer from making small delivers to retailers, saving on transport costs
* Saves the manufacturer on high storage costs due to the wholesalers purchasing in bulk
* Saves the manufacturer having money tied up in stock and being left with stock if consumer trends change
* Its saves the manufacturer from labeling the product for the retailer.

Disadvantage

* Control of after sales is handed over to the wholesaler
* Wholesalers has limited specialist knowledge

The *Channel of Distribution* is how the product gets from the manufacturer to the consumer. The three main options are as follows:

Manufacturer

Manufacturer

Manufacturer

Customer

Retailer

Customer

Retailer

Wholesaler

Customer

Before the Channel of Distribution is chosen, a variety of factors must be taken into account:

*The product/service that is being sold*

Any products of a highly technical nature would normally be sold directly from the manufacturer. On the other hand chocolate bars would be sold through a wholesaler initially.

* *How reliable the parties included in the Channel of Distribution are*

Manufacturers may take distribution of the product into their own hands if the wholesaler or retailer is unreliable.

* *Government restrictions on certain items*

Certain medicines must, by law, be sold through pharmacies.

* *The image of the product*

For example, Gucci bags are sold in exclusive outlets. The image of the product would be damaged if they were sold in a wholesaler such as Makro.

* *The stage in the product life cycle*

If the product is in the introductory stage, the product may be sold in a more exclusive outlet where a premium price can be charged. As the product moves through the product life cycle, it may be sold in less exclusive outlets to encourage more consumers to purchase.

# Direct Sales Methods

Many businesses are now selling their products directly to their customers.

|  |  |  |  |
| --- | --- | --- | --- |
| Method | Description | Advantages | disadvantages |
| Internet selling | Many organisations now sell their product via the internet, taking payment by credit or debit card. | Allows a business to reach a global market  Customer information is easily collected to target offers and promotions  Can order from the comfort of their own home | Many cusitomers have fear using the internet and purchasing online as some sites are unsecure.  Some products can be more expensive to purchase online due to cost of postage |
| Mail Order | These are goods sold to customers through catalogues e.g Next | Convenience of shopping from home with credit facilities  Mail order companies save costs as few sales staff required and tend to not require expensive high street premises  Some mail order products are exclusive | Lack of personnel contact  High delivery charge  Companies may incur high advertising and administrative costs  A high level debt is possible |
| Newspapers/ magazines | Place adverts in newspapers and magazine describing and showing the product  Customers respond directly to the advert by filling in the form | Convenience  of shopping from home  Mail order companies save costs as few sales staff required and tend to not require expensive high street premises  Some mail order products are exclusive | Companies may occur high advertising costs  High postage costs |
| Personnel selling | When products are sold door-to-door or by telephone | Allows for the product to be demonstrated and technical details can be explained  Feedback can be received from the customer | Customers may not like sales people going to their doors |

## Factors Influencing the Location of a Business Premises

* How far the location is from the customer
* How far the location is from infrastructure such as roads and public transport
  + Products and materials can be delivered to the organization easier
  + Easy access for customers
* The price of land or premises in the area
  + The cost of land, premises and taxes in some areas may be very high whereas in other areas the costs could be significantly lower.

Compare the cost of a shop unit on Union Square to one on George Street.

* Whether or not there are car parking facilities for employees and customers
* The proximity to raw materials for example, fishing fleets are usually located on coastal areas where the best fish stocks can be found.
* The availability of labour in the area &
* The cost of labour in the area
* The level of competition in the area
  + An organisation wouldn’t open a shop on a high street which already has 6 similar shops
* The level of education in the area

## How Government Incentives in an Area Influence Location

Different authorities use incentives to encourage organisations to set up businesses in certain areas. This is done in order to increase the levels of business and enterprise, reduce unemployment in the area and ensure that derelict land is being put to use.

*Scottish Government Assistance*

New Enterprise Scholarships (NECs) for new entrepreneurs in disadvantaged areas (<http://nesprogramme.org.uk/>).

*Regional Selective Assistance*

A grant scheme which helps to create and safeguard jobs in Scotland. To qualify organisations must fulfil certain criteria, for example they should be located in areas of high unemployment.

*Local Government Assistance*

* Local authorities are active in providing detailed information to organisations about applications for grants and other forms of financial aid
* Providing detailed information to businesses about local available sites and premises
* Providing grants for starting up businesses in their area
* Providing grants for research and development

# Channel of Distribution

Businesses need to decide how to transport tangible products to their consumer. It is vital that businesses also consider the environmental impact when choosing a channel of distribution as they need to be seen as being socially responsible. The four main methods of distribution are:

|  |  |  |
| --- | --- | --- |
| **Method** | **Advantages** | **Disadvantages** |
| Road Network | Cheaper method  Delivery is quick  Product delivered direct to the customers door  24 hours a day | Difficult to transport large goods  Not the most environmentally friendly method  Roadworks can cause delays  Restricted by legislation that states number of hours drivers can drive |
| Rail (train) | Large products and quantities can be transported | Not a train station in every location  Not a door to door store  Requires road haulage to final destination. |
| Air | Can be transported across the world more quickly than by sea  Large amounts of only small products can be transported. | Not a door to door service  Large items cannot be transported  An expensive method as products need to be taken to the airport to be loaded onto the aircraft  Requires road haulage to final destination |
| Sea (Boats) | Can import/export bulky goods.  Products can be transported worldwide. | Very time consuming process to transport the products.  Not a door to door service also requires road haulage. |

# Promotion

The way in which the organisation makes the consumer aware of the features and benefits of the product. Promotion plays an important part in gaining new customers and retaining existing ones.

There are two main types of promotion:

|  |  |
| --- | --- |
| **Below the Line** | **Above the Line** |
| Directly controlled by the business | Makes use of media to allow the organisation to reach a larger audience. |
| Direct mail, personal selling, trade fairs. | Television, radio, newspapers. |
| Allows the business to target the customer in a more direct manner. | This method also targets those who have no interest in the product. |

The choice of promotional method depends on several factors including:

* Cost of media and budget available
* Audience to be reached
* Advertising methods used by competitors.

**Possible methods of advertising:**

|  |  |  |
| --- | --- | --- |
| **Method of Advertising** | **Advantages** | **Disadvantages** |
| ***Radio / Television*** | Large national audiences can be reached.  Sound and motion can be used which is appealing to consumers.  On television the product can be demonstrated.  The product can maintain a high profile if adverts are regular. | Can be an expensive method of advertising.  The product may be targeted at other market segments.  Message can be short-lived.  A lot of consumers channel surf when adverts are on. |
| ***Magazines*** | Colour adverts can have a big impact.  Particular segments can be targeted by putting adverts in specialist magazines e.g. Vogue. Consumers may keep magazines for future reference. | Can be an expensive method of advertising. |

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| **Method of Advertising** | **Advantages** | **Disadvantages** |
| ***Sponsored Events*** | Creates good press for the organisation e.g. Virgin sponsoring the London Marathon. | Can be an expensive method of advertising. |
| ***Internet(online advertising)*** | Can be relatively cheap.  If adverts are placed on correct websites, they can target specific market segments. | Adverts may be ignored. |
| ***Viral marketing eg socialnetworking*** | Two way interaction can occur  Large audience can be reached  Questions can be posed quickly . | Not all customers may want to join the social networking site  Information not usually private and can be viewed by anyone. |
| ***Emails*** | Can sign up to a mailing list so only those interested receive the information.  Can be sent at any time of the day.  Same email can be sent to more than one person at a time.  Documents and files can be attached to an e-mail.  Environmentally friendly compared to printing posters. | Some e-mails may be filtered as spam and user may never see them.  Receiving too many emails may lead to frustration.  Employees may need training.  Viruses can be spread through e-mails. |
| ***Text Messages*** | Message received instantly and directly as mobile as usually always carried by the customer.  Large number of customers can be targeted.  Cheaper than some other methods of advertising. | Can only include a small amount of text.  Customers may find the text messages annoying.  Need to mobile phone number of the customer to use this method. |
| ***Apps*** | Can use it on the move.  Can often use free wifi to access the internet. | Customers need to buy a smart phone or tablet computer to use which is expensive.  Training is needed so the app can be designed for customer easier to use.  Internet connection depends on the location and devise being used. |
| ***Word of mouth*** | Positive word of mouth can result in increased sales and customer loyalty. | Negative word of mouth can result in reduced sales and consumers purchasing from competitors. |
| ***Newspapers*** | Technical information can be explained.  Through carefully choosing the newspaper, specific market segments can be targeted.  Readers can cut out adverts and keep for future reference. | People tend not to carefully read daily newspapers.  Adverts may be in black and white and no sound or movement is used – not very appealing.  May be expensive if nationwide coverage is required. |
| ***Cinema*** | There is a captive audience.  Adverts can be shown before certain films to appeal to specific market segments. | The message may be short-lived.  The audience is limited – particularly if the film is not very popular. |
| ***Outdoor Media (football stadiums, billboards)*** | A wide audience can be attracted.  Often used in busy locations – high exposure.  The advert will be seen many times by those passing frequently. | Weather could deteriorate the signage.  May be vandalized.  People may be used to the sign being there so could ignore it.  Can be an expensive method of advertising. |

|  |  |  |
| --- | --- | --- |
| **Method of Advertising** | **Advantages** | **Disadvantages** |
| ***Direct mail*** | Can target particular market segments. | Customers are not happy to receive junk mail.  Need to target accurately or little interest will be generated and therefore could be a waste of finances. |

**Special Offers**

Special offers can be defined as short term incentives which encourage customers to purchase products/services. Special offers can be categorised into two types, which affect the retailer/wholesaler (Into the Pipeline) or the consumer (Out of the Pipeline).

**Into the Pipeline Promotions**

Promotions offered to retailers or wholesalers to entice them to stock the products.

*Point of Sale Materials*

This may include posters, leaflets or window displays. These are generally provided to the retailer or wholesaler free of charge. For example, when a new film comes out, the film company will provide cinemas with stands advertising the film.

*Dealer Loaders*

Used to entice the retailer or wholesaler to purchase and stock the item, for example purchase 10 get 1 free.

*Sale or Return*

The retailer will be able to stock the product without fear that they will be left with unsold stock. In this case the retailer will be able to return any unsold stock to the manufacturer. Newspapers, bread and dressmaking patterns are some products which can be returned should they remain unsold.

*Dealer Competitions*

Competitions for high sales can be offered to retailers or wholesalers. For example, car manufacturers may offer holidays as prizes for car dealers who meet their sales targets.

*Staff Training:* Manufacturers may often provide staff training where a product is of a technical nature. For example, car manufacturers may offer car dealers training to cover technical issues, the best methods of promotion and how best to promote customer service.

*Credit Facilities:* The retailer will purchase goods from the manufacturer and pay for them at a later date.

**Out of the Pipeline Promotions**

Promotions offered to the customer to entice them to make a purchase.

*Free Samples:* Perfume or beauty counters will often give free samples of new products to encourage customers to try the product and make a purchase possibly at a later date.



*Credit Facilities:* These allow customers to purchase products on credit (paying for the product at a later date) which they would not have been able to afford. An example of this is the Topshop store card. Purchases would be made in store and a bill would be sent to the customer requesting payment.

*Demonstrations:* Involves demonstrating the use of the product to entice the customer to purchase. For example, car dealers will often offer test drives so customers can try out the car before they purchase.

*Competitions:* Customers will purchase a product which will then allow them to be entered into a competition. For example, newspapers may have ‘Lucky Wallets’ in which the customer can win money if they purchase the newspaper.

*Buy One Get One Free (BOGOF):* Supermarkets will often use this on selected products.

*Bonus Packs:* Allows the customer to try more of the product for the same price as the original. For example, toilet roll packs may have 4 free rolls.

*Free Offers:* Free toys may be included in boxes of breakfast cereal or free CDs may be offered in newspapers or magazines.

*Coupons & Vouchers:* Provide customers with money off future purchases. For example, Sainsbury’s price match coupon provides customers with money off their next shop if they could have bought the same products cheaper at another supermarket.

*In store demonstrations or tastings:* Customers are encouraged to try new products, very popular in supermarkets

# The Extended Marketing Mix

**People -** theemployees who work for the company and their skills and knowledge

**Physical** – isin the form of the service and the atmosphere that is created

**Process** – the different elements to making a product or service eg sourcing raw materials and how customers are handled from the beginning to the end

# People

People are an essential part of a business whether it be the customers or the employees. It is vital that organizations have the correct service provisions in place with regards to staff of the organisations. Organisations must recruit and hire the right employees to ensure they provide an adequate product/service. Employees need to have specific skills and qualities as well as the appropriate knowledge to provide the best advice and service to the customer.

# Process

The process looks at how to service is provided, from the minute an order is taken to being delivered, for example think of the process taken when in McDonalds’ and you order a Big Mac meal and it is developed in 2 minutes or the process of self-service at any of the major supermarkets. An efficient service well ensure customer satisfaction and loyalty and therefore increased sales and profits. To ensure this all companies must have procedures and process in place.

# Physical

The physical element is with regards to where the service is being delivered from. With greater emphasis with regards to retailers operating out of shops. The physical element will help organisations set them apart from competitors. It focuses on providing clean facilities, point of sale displays, logo, payment systems, uniform, seating areas, free wireless, a relaxing ambiance as well as access to an organisations website. Customers will make judgments based on their first impression when they walk into a retailer, if they are clean and friendly environment they are likely to stay. If a restaurant is smelly and dirty they are likely to walk out before even trying the food.

# Ethical Practices

Businesses want to be seen as being socially responsible. It is about behaving in such a way that does not harm society. It is about behaving in a way that people find acceptable.

Businesses therefore need to be seen in a positive way in order to develop positive customer relations. Businesses must consider carbon foot print, food miles used and their corporate responsibility. They often announce changes in their operations when promoting new products to inform their customer, it is vital that businesses are honest when advertising so that customers can trust the business. Businesses must focus on the behaviour and cultures of their customer. Good customer service skills are a vital part of the service.

For advertising to be ethical it must be:

* Not misleading
* Do what it says on the tin
* Adverts must not be offensive or obscene
* Should not offend consumer beliefs

# Technology/ICT in Marketing

Technology is playing a major part in the business world and can be used for market research, advertising and sales.

Electronic point of Sale (EPOS) can be used for market research as it allows the business to identify what is being purchased in different parts of the country and in different stores. This will allow the business to adapt their marketing techniques and promotions to suit a particular country or store.

Market research is conducted online via online surveys e.g. survey monkey. This allows businesses to gather vast amounts of information. Using online surveys makes it easier for the business to analysis the information using online software.

The internet is now being hugely used for advertising weather it is through email, pop up’s, social networking sites. It is a good way to reach a large audience quietly. It can allows businesses to target specific markets and send different promotional offers to different customers, with recommendations (see p for further information)

Business are also now using the internet to sell their products/ services. This means that they can reach consumers in many different countries and that consumer can shop form the comfort of their own homes. Businesses tend to sell products/services cheaper online as they are cutting out the middleman.

**ICT in Marketing**

E-commerce – This means the sales and purchase of goods over the internet. This provides

24/7 trading, a global market and potential savings on space and labour

Social media/E-mail – advertising directly to customers, can gain feedback from customers, can give special promotions and competitions to encourage sales

Desktop Publisher – can be used to create professional looking advertisements to attract more customers.

Text alerts – can be used to inform customers of new products/special offers to increase sales.

Apps – can be used to give customers easier access to products and services when they are on the move.

Electronic point of sale information (EPOS) - Self-contained, computerized equipment that performs all tasks of a store checkout counter. It allows payments by bank or credit cards, verifies transactions, provides sales reports, coordinates inventory data, and performs several other services normally provided by employees.

Supermarket loyalty cards – The larger stores offer customers loyalty cards. When the

customer shops at the store they're awarded a set number of points depending on how

much they spend. The loyalty card stores their points. One point is commonly worth 1p with a point awarded for each pound spent. Points can be converted into vouchers that provide discounts on products or services. Each customers' loyalty card has a unique card number linked to a database which stores information about them (provided by the customer when they signed up) and their purchases.

How do they work?

Swiping a loyalty card is an example of data capture. Every time the customer visits the

shop the card is swiped, reading the unique number. This identifies the customer whose

points total, stored in the database, is then updated. The tills use barcodes to identify each item bought.

Targetting customers

When a customer signs up they provide basic details such as their name and address.

Loyalty cards provide companies with information about customer spending habits. This

information can be used to target customers generally or specifically.

Product placement

If customers frequently buy bread and milk together, these items may be put nearby each other for customer convenience or, farther apart forcing the customer to walk through the entire store (in the hope they buy additional items along their way).

Vouchers

If a customer frequently buys beans, vouchers offering money off beans will be sent to them (further increasing their loyalty), rather than for products they rarely buy.

Mailing lists

Can be used to send out tailored advertisements. For example, someone who regularly buys garden magazines might be sent special offers on garden products.

New stores

When customers sign-up they provide their address. This information can be used to see where the customers come from and identify opportunities for new stores.

Video conferencing

Video conferencing means using computers to provide a video-link between two or more people. Instead of just talking to someone by telephone, you are able to see them as well.

Equipment

The following is needed to take part in a video conference call:

 a computer

 a web cam

 a microphone (most webcams have a microphone built-in)

 speakers

 broadband Internet access

 video conferencing software

It is possible to buy a special video conferencing machine just for this purpose.

Advantages of video conferencing

 Meetings can take place without leaving the office.

 Travel costs and the time taken to travel can be reduced significantly.

 Meetings can be called instantly worldwide with little notice.

 Delegates can still attend meetings even if they are physically unable to.

Disadvantages of video conferencing

 May not be as productive as a discussion around a table.

 Confidential documents may need to be viewed and signed in person.

 There will always be times when you need to be able to meet face to face.